

**Part 2A of Form ADV: Method Advisors, LLC Brochure**

Firm Name: Method Advisors, LLC  
Address: 192 South Street  
Suite 350  
Boston, MA 02111  
Phone: 617-426-4610  
Fax: 617-426-4614  
Website: [www.methodadvisors.com](http://www.methodadvisors.com)  
  
Contact: Eric Stewart, CFA  
Managing Member  
[eric@methodadvisors.com](mailto:eric@methodadvisors.com)  
617-426-4610

Date of Brochure: March 28, 2018

*This brochure provides information about the qualifications and business practices of Method Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 617-426-4610. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Method Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Method Advisors, LLC is a Registered Investment Adviser. Please note that registration does not imply a certain level of skill or training.*

**Material Changes**

There have been no material changes to the information contained in this brochure from the firm's Form ADV Part 2A for the period ending December 31, 2016.

## **Table of Contents**

<b>Item 4 – Advisory Business .....</b>	<b>3</b>
<b>Item 5 – Fees and Compensation .....</b>	<b>4</b>
<b>Item 6 – Performance-Based Fees and Side-By-Side Management .....</b>	<b>5</b>
<b>Item 7 – Types of Clients .....</b>	<b>5</b>
<b>Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>6</b>
<b>Item 9 – Disciplinary Information.....</b>	<b>7</b>
<b>Item 10 – Other Financial Industry Activities and Affiliations .....</b>	<b>7</b>
<b>Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>8</b>
<b>Item 12 – Brokerage Practices .....</b>	<b>9</b>
<b>Item 13 – Review of Accounts .....</b>	<b>9</b>
<b>Item 14 – Client Referrals and Other Compensation .....</b>	<b>10</b>
<b>Item 15 – Custody .....</b>	<b>10</b>
<b>Item 16 – Investment Discretion .....</b>	<b>10</b>
<b>Item 17 – Voting Client Securities .....</b>	<b>11</b>
<b>Item 18 – Financial Information.....</b>	<b>11</b>

#### **Item 4 - Advisory Business**

*A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).*

Method Advisors, LLC was founded in 2007 to invest and manage a small market private equity fund of funds. Method Advisors 2009, L.P. was the first fund formed by the firm, and held its final closing with \$88,650,000 in commitments in March of 2010. The firm's second fund of funds, Method Advisors 2012, L.P. held its final closing in October of 2013 on \$25,750,000 in commitments.

Method Advisors, LLC is 100%-owned by its founders and Managing Members, Christopher Welch and Eric Stewart. The firm has no subsidiaries, and is focused solely on managing small market private equity funds of funds.

*B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.*

Method Advisors invests a series of small market private equity fund of funds on behalf of its clients. Each fund of funds consists of between 10 and 15 private equity funds across three to four vintage years, and has an average fund size of less than \$500 million. Each fund of funds contains approximately 150 to 200 underlying portfolio companies through these fund investments. Each fund of funds invests across the spectrum of private equity, including allocations to buyouts, venture capital, and private debt funds. Method Advisors opportunistically invests a portion of the fund in secondary interests in seasoned private equity funds.

*C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.*

Method Advisors does not provide advisory services tailored to individual clients. Method Advisors invests through pooled investment vehicles in which all investors share in the investments of the fund according to their proportion of its committed capital.

*D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.*

Method Advisors does not participate in any wrap fee programs.

*E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.*

The firm's first fund of funds, Method Advisors 2009, L.P., had commitments from its investors totaling \$88,650,000. As of September 30, 2017, the fund had assets totaling \$67,300,000, which includes the current fair value of the remaining portfolio plus uncalled Limited Partner capital commitments.

The firm's second fund of funds, Method Advisors 2012, L.P., had commitments from its investors totaling \$25,750,000. As of September 30, 2017, the fund had assets totaling \$31,100,000, which includes the current fair value of the remaining portfolio plus uncalled Limited Partner capital commitments.

Across the two funds, Method Advisors assets under management totaled \$98,400,000 as of September 30,

2017. All of these assets are managed on a “discretionary” basis.

#### **Item 5 - Fees and Compensation**

*A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.*

Method Advisors receives an annual management fee payable quarterly in advance by investors in both of its fund of funds, as follows: (i) during the five year period commencing from the date of the initial closing the management fee will be 1% per year based on the total capital committed to the fund, (ii) during the period commencing on the day following the fifth anniversary of the initial closing through the 10th anniversary of the initial closing, the management fee will be .75% per year based on the total committed capital to the partnership, and (iii) for all periods after the day immediately following the tenth anniversary of the initial closing, there will be no management fee.

Method Advisors also receives a 5% "carried interest" after investors achieve an 8% per annum cumulative return, compounded annually as calculated on their capital contributions. Further details on the calculations of the carried interest are available through the Partnerships' Private Placement Memorandum and Limited Partnership Agreement.

All investors in the Partnerships invest with the fee schedule stipulated above.

*B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.*

Method Advisors bills clients directly for fees incurred. Fees are paid quarterly.

*C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.*

Investors in a Method Advisors' fund of funds are responsible for their pro rata share of the organizational expenses of the fund, including legal fees.

Investors are also responsible for all other expenses of the Partnership including, but not limited to, the following:

- (i) All expenses incurred in connection with Partnership operations, including the purchase, holding, sale or proposed sale of any Partnership investments (including legal and accounting fees) unless paid for by the Fund which is the subject of the investment;
- (ii) Costs and fees relating to the preparation of financial and tax reports, portfolio valuations and tax returns of the Partnership;
- (iii) The costs of prosecuting or defending any legal action for or against the Partnership, the General Partner, the Manager or their affiliates;
- (iv) Costs related to the Partnership's indemnification of the General Partner, the Manager, their affiliates and the members of the Advisory Committee;
- (v) All out-of-pocket expenses (including travel) incurred by the General Partner or Manager or their employees or affiliates related to the identification, evaluation, acquisition, holding and disposition of potential portfolio investments, including accounting and reporting and any software license fees;
- (vi) All costs and expenses related to the holding of meetings of the Limited Partners or Advisory Board;
- (vii) The costs of any litigation, director and officer liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the

- Partnership;
- (viii) All unreimbursed out-of-pocket costs relating to investment transactions that are not consummated, including legal, accounting and consulting fees, and all extraordinary professional fees incurred in connection with the business or management of the Partnership;
- (ix) All expenses of liquidating the Partnership; and
- (x) Any taxes, fees or other governmental charges levied against the Partnership and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Partnership.

*D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.*

Client fees are paid quarterly in advance.

*E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact.*

Neither Method Advisors nor its employees accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

#### **Item 6 - Performance-Based Fees and Side-By-Side Management**

*If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.*

Method Advisors receives a 5% "carried interest" after investors achieve an 8% per annum cumulative return through its fund of funds, compounded annually as calculated on their capital contributions. Further details on the calculations of the carried interest are available through the Partnerships' Private Placement Memorandum and Limited Partnership Agreement.

All investors in Method Advisors' funds of funds receive the same fee terms, thus there are no conflicts related to allocating among different accounts.

#### **Item 7 - Types of Clients**

*Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.*

The Limited Partners in Method Advisors' pooled investment vehicles include a range of investor types, including multi-employer pension funds, foundations, and high-net worth individuals. The minimum subscription by a Limited Partner is \$3,000,000 for institutional investors and \$500,000 for individuals, although lesser amounts may be accepted at the discretion of the General Partner.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

*A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.*

Method Advisors evaluates exhaustively the full universe of small market private equity managers to select the most appropriate funds for investment. The firm seeks to identify private equity managers with proven skill in creating value through operational and organizational improvements following the purchase of a company.

Method Advisors subjects prospective fund investments to a lengthy and comprehensive due diligence process, with particular emphasis on the following: review of investment strategy and process, evaluation of investment professionals at all levels of the firm, performance attribution, reference checks (including conversations with the management of portfolio companies), legal review, and evaluation of deal flow. On-site meetings are a key component in the due diligence process, and serve to provide a more thorough perspective on the potential investment. Each of the three members of the Method Advisors Investment Committee must meet with the senior investment professionals of a potential investment prior to a commitment being made. Further, a unanimous vote by the three-member Investment Committee of Method Advisors is required for investment.

Some of the risks of investing in a small market private equity fund of funds are described below. For a more thorough explanation of these risks, please contact Method Advisors for the full legal documents of the partnership.

### **Risks of Private Equity Investing**

The Partnership will be subject to numerous risks generally related to investing in securities and the additional risks associated with investing in non-marketable securities and nonpublic companies. The securities or other interests acquired by the Partnership will have restrictions on resale and, even in the absence of such restrictions, may not be marketable. The ability of the Partnership to profit from its investments will be highly dependent upon the ability of the underlying portfolio companies to progress in their development to the point where they can become an attractive merger or acquisition candidate or effect a public offering. Numerous factors may impede or prevent a company from reaching this point, including inadequate capital, unfavorable competitive developments, inadequate management, loss of key persons, technology obsolescence and lack of market acceptance.

### **Market Factors**

A weak public securities market could have a negative impact on an underlying fund's exit strategy from investments in that there may be reduced merger and acquisition activity and a negative or prohibitive effect on public offerings. In such event, the ability of the Partnership to achieve a favorable return on its investments may be impeded.

### **General Economic and Other Conditions**

The businesses of the Partnership and the underlying funds may be adversely affected from time to time by such matters as changes in general economic, industrial and international conditions, changes in market conditions, interest rates, taxes, prices and cost, and other factors of a general nature that are beyond the control of the Partnership.

### **Leverage**

Although the Partnership will not incur indebtedness for purposes of leveraging its investment program (subject to the exceptions noted previously), underlying funds may incur indebtedness and employ leverage and therefore will be subject to the greater volatility of gain and loss as the Partnership, as well as bear the interest expense and other costs of debt financing. In addition, the portfolio companies of the underlying funds are typically leveraged, which will cause them to be adversely affected by increases in interest rates

and may make them less able to cope with changes in business and economic conditions such as declining revenues or increasing interest rates. The securities acquired by the underlying funds may be the most junior in what may be a complex capital structure of a portfolio company, and in that event such securities will thus be subject to the greatest risk of loss.

*B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.*

Method Advisors employs a single investment strategy. Please see the response to the previous question for a detailed discussion of risk factors associated with this strategy.

*C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.*

Please see the response to Item 8.A. for a detailed description of some of the material risks of investing in a small market private equity fund of funds.

#### **Item 9 - Disciplinary Information**

*If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.*

Neither Method Advisors nor any of its employees have ever been involved in a legal or disciplinary event material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

#### **Item 10 - Other Financial Industry Activities and Affiliations**

*A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.*

Method Advisors and its management persons are not -- and have no plans to be -- registered broker-dealers or a registered representative of a broker-dealer.

*B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.*

Method Advisors and its management persons are not -- and have no plans to be -- a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

*C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.*

- 1. broker-dealer, municipal securities dealer, or government securities dealer or broker - Not applicable*

2. *investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)* – Method Advisors manages two private equity fund of funds: Method Advisors 2009, L.P. and Method Advisors 2012, L.P.

3. *other investment adviser or financial planner* – Method Partners, LLC serves as the General Partner for Method Advisors 2009, L.P. and Method Partners II, LLC serves as the General Partner for Method Advisors 2012, L.P. The Principals of Method Advisors, LLC own all of the equity interests in both General Partner entities.

4. *futures commission merchant, commodity pool operator, or commodity trading advisor* - Not applicable

5. *banking or thrift institution* - Not applicable

6. *accountant or accounting firm* - Not applicable

7. *lawyer or law firm* - Not applicable

8. *insurance company or agency* - Not applicable

9. *pension consultant* - Not applicable

10. *real estate broker or dealer* - Not applicable

11. *sponsor or syndicator of limited partnerships* – Method Advisors, LLC is the sponsor of two limited partnerships (Method Advisors 2009, L.P. and Method Advisors 2012, L.P.), and provides investment advisory and management services to both partnerships.

*D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.*

Method Advisors does not receive compensation directly or indirectly from those private equity funds selected for inclusion in its fund of funds.

#### **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

*A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules.*

Method Advisors (the “Company”) has adopted the following policies and rules of conduct (the “Code”) for all Supervised Persons. The Code is designed to ensure that the high ethical standards maintained by the Company continue to be applied. The excellent name and reputation of the Company continues to be a direct reflection of the conduct of each Supervised Person.

The Code is based upon the principle that the Company and its supervised persons owe a fiduciary duty to the clients of the Company and must conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the Company, and (iii) abusing their position of trust and responsibility. In meeting its fiduciary responsibilities to its clients, the Company expects every supervised person to demonstrate the highest standards of ethical conduct. Strict compliance with the provisions of the Code, the Advisers Act and all applicable federal securities laws shall be considered a basic condition of

employment and association with the Company.

Pursuant to Section 206 of the Advisers Act, both the Company and its supervised persons are prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance with the Code involves more than acting with honesty and good faith alone. It means that the Company has an affirmative duty of utmost good faith to act solely in the best interest of its clients.

*B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.*

Method Advisors does not recommend, buy, or sell securities (including private equity funds) for client accounts in which the firm or a related person has a material financial interest.

*C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.*

Method Advisors and its employees are prohibited from investing directly in private equity funds other than those funds of funds managed by Method Advisors, thus mitigating potential conflicts of interest with clients of our fund.

*D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.*

Not applicable. See response to Item 11.C.

## **Item 12 - Brokerage Practices**

*A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).*

Method Advisors does not select or recommend broker-dealers for client transactions, as a private equity fund of funds manager.

*B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.*

Not applicable. See above response to Item 12.A.

## **Item 13 - Review of Accounts**

*A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.*

Method Advisors monitors rigorously each underlying fund in its portfolios, and its underlying portfolio company investments. We track information on each portfolio company based on data provided by the underlying funds. We also have a representative serving on the advisory committee of the majority of the Partnerships' underlying funds, and periodically conduct on-site visits to the offices of its underlying fund managers.

*B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.*

Portfolio monitoring is an ongoing process, and is not triggered by any specific events.

*C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.*

Annual audited reports and quarterly unaudited reports are delivered to clients within thirty days of receipt of the corresponding reports from underlying investments. In addition to GAAP-compliant financial statements related to the investment vehicle, these reports contain a supplement with detailed information on all underlying portfolio investments, including detailed reviews of each fund's strategy, performance, and underlying portfolio companies.

#### **Item 14 - Client Referrals and Other Compensation**

*A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.*

Method Advisors does not receive economic benefits from entities or individuals other than its clients.

*B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.*

Method Advisors may engage registered or licensed broker-dealers from time to time in connection with our fundraising activities for any investment funds we manage. Currently, Method Advisors has engaged Kelson Group and Slaine Capital Advisors (an affiliate of Stonehaven, LLC) to market a potential new fund that would be managed by the firm. No capital has been raised for this fund to date. The compensation arrangements involve a percentage of the amount of assets the broker-dealer assists in identifying. Method Advisors has not and will not pay any commissions for fundraising activities to anyone who is not properly registered or licensed.

#### **Item 15 - Custody**

*If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.*

The two private equity funds of funds managed by Method Advisors receive monthly statements on the funds' cash balances from Boston Private Bank and Trust, a qualified custodian. Method Advisors also receives quarterly financial reporting from the private equity funds in which it invests. Limited Partners in Method Advisors' funds of funds receive quarterly account statements only from the firm, including audited annual financial statements issued by KMPG LLP.

#### **Item 16 - Investment Discretion**

*If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).*

Method Advisors has discretionary authority to select private equity funds for inclusion in its funds of funds. Portfolio guidelines are in place to limit the number of fund investments (a maximum of fifteen), the average size of underlying funds (less than \$500 million in commitments), and the percentage of investments made outside of the United States (a maximum of 20% of capital commitments).

#### **Item 17 - Voting Client Securities**

*A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.*

Method Advisors does not vote proxies, as the firm does not invest in public securities.

*B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.*

Not applicable. See response to Item 17.A.

#### **Item 18 - Financial Information**

*A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.*

Method Advisors does not require or solicit prepayment of fees six months or more in advance.

*B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.*

Method Advisors does not have a financial condition reasonably likely to impair our ability to meet its contractual obligations to its clients.

*C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.*

Not applicable.